PUBLIC POWER COUNCIL
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Columbia River Treaty: The Negotiation Phase

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As formal negotiations commence between the United States and Canada on the Columbia River Treaty, the Public Power Council (PPC) and its members appreciate the work of the Congressional delegation in urging the progress to this point. Now, we are staying engaged and lending technical support as needed. This paper lends some basic background and notes some concerns for this phase of the Treaty process.

Priorities for the Treaty Negotiations

- Rebalancing the power benefits should be a top priority because of the current *inequity to electricity consumers* in the U.S. Without agreement, the Northwest region faces a loss of approximately $1 million every two to three days, and the associated carbon-free energy.

- Utility experts on economics and hydropower operations should be *included as a key resource during the negotiation* to create objective analysis of Treaty-related scenarios as the process moves forward. These experts oversee day to day operations of some of the hydro projects implicated by the Treaty, and they answer to the consumers who bear the Treaty power costs.

- The Treaty or associated agreements must not threaten the *operational flexibility of hydropower* projects which are the largest sources of clean, renewable power in the region. The Grand Coulee and Chief Joseph projects are particularly critical to the hydropower system, representing about 46 percent of U.S. Columbia River generating capacity and 80 percent of active U.S. Columbia river storage capacity. Operational changes should also be mindful of the need for safe and efficient *river navigation* that is so critical to our local economy.

- Provision of *flood control* under a renegotiated Treaty should not be paid for by the power sector. As in the original Treaty, the 2013 Regional Recommendation made clear that, *"Any payments for Columbia River flood risk management should be consistent with the national flood risk funding policy of federal funding with applicable local beneficiaries sharing those costs as appropriate."*

- Specific *negotiating benchmarks* should be created to establish whether and when agreement can be reached. It is our hope that Treaty modernization can be achieved expeditiously with the negotiation taking no more than one year. If it lags, termination of the power provisions, as set out in the Treaty terms, may be the only way to facilitate a successful negotiation.

Background: For decades, the Columbia River Treaty between the United States and Canada worked very well to enhance the flood control and power needs of both nations. First implemented in 1964, the Treaty enabled the building of three large dams in Canada, and one in the United States. This has been a beneficial arrangement for both countries, including flood control in both countries, new generation capability built in Canada, and enhancement of some generation downstream in the United States.

Today, the power provisions of the Treaty are grossly imbalanced, with official government estimates showing Canada receiving almost ten times the benefits that Northwest interests receive from coordinated system operations. The Treaty intent was for a 50-50 sharing of benefits. In December, 2013, the U.S. Entity (the Bonneville Power Administration and the U.S. Army Corps of Engineers) sent its Final Recommendations on the Columbia River Treaty to the U.S. State Department. The document appropriately emphasized the need to rebalance the sharing of power benefits.

The 2013 Regional Recommendation also called for expeditious determination of the flood control arrangement with Canada, since that provision expires in 2024 under the Treaty terms. And, the recommendation also highlighted ecosystem measures that might be included in a negotiation consistent with "*providing a net increase in power benefits based on the actual value of coordinated operations with Canada, preserving an acceptable level of flood control risk to the people of the Basin, and continuing to recognize and implement the other authorized purposes in the Basin.*" The document also stated an intent to view ecosystem measures within the context of the efforts already underway pursuant to the Endangered Species Act for the Federal Columbia River Power System and the BPA fish and wildlife program under the Northwest Power Act.

Modernizing the Treaty in a way that rebalances the power benefits is also an important piece of the plan to ensure that BPA has a *competitive power product in the future*. If BPA's costs rise too high and other lower cost resource options remain available, customers will start to leave BPA-- funding for the entire agency and its programs would be threatened.

In addition, BPA power rates, while below levels in some other areas of the country, directly *affect the pocketbooks of residents and the vitality of businesses.* Northwest public power utilities serve over 3,000 average megawatts (27 million MWh) of industrial loads for over 34,000 business accounts— 36% of NW public power loads. Northwest businesses operate in highly competitive global markets; any increase in major inputs, such as power costs, directly pressures profitability and employment. And, BPA also provides over 1.8 million MWhs of energy to irrigation pumping load; increases to electricity rates directly threaten the cost effectiveness of the essential irrigation services. Finally, Northwest utilities disproportionately serve the most rural and in some cases impoverished counties in the Pacific Northwest; low cost BPA wholesale power makes service possible even where lower density means dramatically higher distribution costs at the retail level.